



STATE OF WYOMING
OFFICE OF THE GOVERNOR

JIM GERINGER
GOVERNOR

July 31, 1998

STATE CAPITOL
CHEYENNE, WY 82002

Mr. David S. Guzy, Chief
Minerals Management Service
Rules and Publications Staff
P.O. Box 25165, MS 3021
Denver, Colorado 80225-0165
e-mail address - RMP.comments@mms.gov

Re: Additional comments on Proposed Rules establishing Oil Value for Royalty Due on Federal Lcasc. (Fed. Reg. Vol. 63, No. 136, July 16, 1998 comment deadline: July 31, 1998).

Dear Mr. Guzy:

Once again we have an opportunity to comment on the proposed crude oil valuation rule. While we welcome further participation in this challenging process, we are hopeful that practical resolution can be brought to this issue. Wyoming's comments are meant to be helpful in reaching the Minerals Management Service's (MMS) stated goal of publishing the rule by October 1, 1998. I am concerned that there is still much disagreement with the rules. I do not support the sacrifice of issue resolution for the convenience of time. In fact, I will work with the Wyoming delegation if Congressional input into the final rule is necessary.

Generally, MMS has responded positively to Wyoming's concerns and comments during the rule-making process. The special characteristics of the Rocky Mountain region oil business have been given some consideration, especially where no arms-length sales exist. MMS has finally recognized that there is not a good price index to use in Wyoming. I remind MMS of the three benchmarks proposed in my written comments, dated October 1997, where comparable market based sales represent a better valuation method than an index. I encourage MMS to remain consistent with their recognition of our proposed valuation methods with regard to the Wyoming Royalty In-Kind (RIK) Pilot. If no good price index exists for crude oil royalty valuation, then no good price index, including NYMEX, exists for the RIK Pilot sales evaluation. MMS should maintain a level playing field with all concerns.

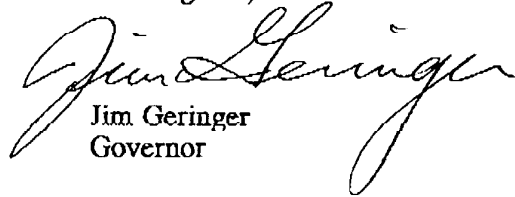
MMS has indicated that it will not "second guess" marketing decisions. If these rules do indeed prevent such troubling activity, then I hold MMS accountable for consistent application of the rules. We are trying to minimize or eliminate administrative costs and valuation disputes. That goal cannot be reached if we are vulnerable to changing interpretations of rules and regulations.



page 2
July 31, 1998

Finally, I encourage MMS to continue its dialogue with the states, Congress, and industry. Keep your focus upon real relationships in the market place. Allow the market place to operate with as little encumbrance as possible.

Best Regards,



Jim Geringer
Governor

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cc: Ms. Cynthia Quarterman
Steve Reynolds
Lisa Burgess
Don Likwartz